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July 20, 2002

ARIZONA CORP. COMM.  
TUCSON, AZ

William A. Mundell, Chairman  
Jim Irvin, Commission  
Marc Spitzer, Commissioner  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

AUG 01 2002

Re: Bella Vista Water Co., Inc. Rate Case  
Docket No. W-02465A-01-0776

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Dear Chairman and Commissioners:

The undersigned customers of Bella Vista Water take this opportunity to commend Bella Vista and its General Manager, Ms. Gignac, for their efforts in providing reliable water service at reasonable prices while being sensitive to our environment. We are grateful that the Company had the foresight and willingness to make substantial capital improvements over the past two years to provide its existing customers more reliable water service in these times of drought. We believe the Company should be authorized to charge rates that provide it a reasonable return on its investment for all of the plant serving Bella Vista water customers, today.

We also believe that it is important that Bella Vista's water rates be set to make water users appreciate the precious and finite character of our water resource. Even with the 13.37% rate increase requested by Bella Vista, the cost of water from Bella Vista is severely undervalued. The inhabitants of the Sierra Vista area (of both the two and four legged variety) are sensitive to the need to minimize groundwater pumping and preserve the beauty and diversity embodied by the San Pedro Riparian National Conservation Area. We believe that Bella Vista's proposal for a three-tiered rate is an essential tool for creating the appropriate price signals. We support a significant step increase from the customer with low water use to the customer with moderate water use. We believe Bella Vista's proposal for a second tier that increases the costs to \$1.95 per 1,000 gallons for all water used after 5,000 gallons (from \$1.00 per 1,000 gallons for usage up to 5,000 gallons) is appropriate. We further support imposing the third rate tier

(an increase to \$2.71 per 1,000 gallons) only on  $\frac{3}{4}$  inch and 1 inch meters because this represents the class of customers (single family residences and small businesses) where conservation oriented price signals are most likely to be successful. We also encourage the Company to eventually lower the threshold for the third rate tier below the 25,000 gallons of monthly usage currently proposed. However, we recognize the need to implement conservation oriented rate designs in phases to avoid rate shock to customers and revenue instability for the Company.

In summary, we ask the Commission recognize the Company's continued proactive management and provide the Company with the revenues they have requested through the rate design the Company has proposed. We believe the Company's request reflects a reasonable balance between the customers, the Company and the environment. We appreciate your consideration of our comments.

Very truly yours,

*Jack S. Smith*  
*Madeleine Smith*

cc: Jane Rodda, Administrative Law Judge  
ACC  
400 W. Congress  
Tucson, AZ 85701-1347

Judy Gignac, Vice President  
Bella Vista Water Co., Inc.  
4055 Campus Drive  
Sierra Vista, AZ 85635